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Auth: DDA Memo, 4 Apr 77

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CENTRAL INTELLIGENCE GROUP**INTELLIGENCE REPORT****COUNTRY** Austria/USSR**DATE:** 25X1C**INFO.** [REDACTED]**SUBJECT** Alleged Austro-Russian
Currency Conversion Agreement**DISC.** 24 December 1947

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PAGES 1
SUPPLEMENT**ORIGIN** [REDACTED]

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letter of 16 October 1978 from the
Director of Central Intelligence to the
Archivist of the United States.
Next Review Date: 2008

1. USIA employees have let it be known that the Russian Military Bank now enjoys the status of an Austrian banking institution. This was allegedly engineered through a secret agreement between the Russians and the Austrian Government which was made prior to Russian acceptance of the currency reform program. Consequently, the Austrian Government will exchange at the rate of one to one all Schilling claimed to have been deposited in the Russian Bank by the deadline date of 12 November—a sum amounting to from 500 to 540 million Schilling. [REDACTED] Comment: This would be in addition to the official Russian conversion sum, which has been set at 502 million Schillings. Consequently, the Russians continued large Schilling transactions until the last day for conversions, since the Schilling accumulated by various USIA firms were immediately deposited with the Military Bank, which booked them as bank capital. This alleged secret agreement would place nearly one billion Schilling in Russian hands. [REDACTED] Comment: The above information is regarded as most improbable, but has been transmitted for the record. [REDACTED] Comment: See [REDACTED] for data which might possibly confirm Para. 1.)
2. After the Schilling conversion, USIA sold large sums of dollars on the black market, bringing the dollar price down to about sixty Schillings. USIA then bought dollars at the new low rate. The Russians will allow the dollar to rise to 120 Schillings in the future. [REDACTED] Comment: The dollar actually did decline during the conversion period, as reported above, but it is hardly probable that this was due entirely to Russian manipulation.)
3. No changes have been reported in the ranks of USIA personnel. Utkin still heads the Light Industry Section. Utkin and Malavin are due to remain with USIA, although Malavin has been criticized within USIA for having obtained his position through favoritism. Malavin relies completely on Dykhonirov, who is still the most important figure in USIA.
4. USIA will sell the Austrian Ministry of Trade goods at normal prices through Degos, a measure aimed at winning over the sympathies of Austrian officials. These goods include 60,000 woollen blankets, 100,000 neckties, five million razor blades, about 150,000 pairs of stockings, and 50,000 meters of cloth. Any loss incurred will be covered by hard currency deals now in the planning stage. Eduard Heinal supposedly assured USIA officials that he would use his influence with the National Bank and the Warenverkehrsamt, which controls hard currency transactions, to facilitate such deals.

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